

Directive No. 69

**AGENCY CONTRACT TERMINATIONS—
REPLACES DIRECTIVE NO. 68**

August 12, 1986

The Insurance Department has been made aware of an alarming number of cancellations of Agency contracts or agreements. In recent months the indiscriminate cancellation of insurance agency contracts has become widespread and has effectively prevented innocent insureds from obtaining insurance through normal channels.

Effective immediately it will be necessary that all licensed companies in Louisiana comply with the following:

1. Report to the Insurance Department any cancellations of Agency contracts or agreements.
2. All companies must substantiate with valid reason and advise this Department of their intention to withdraw from an Agency agreement.
3. When mass cancellations are contemplated as a result of withdrawal from a specific agency, the company shall be responsible to see that replacement coverage is made without penalty to the insured.
4. Interim policy cancellations or refusals to service existing policy contracts as a result of agency cancellations should be prompted solely by unfavorable underwriting factors pertinent to the individual risks which were not present at the inception of the coverage.
5. All companies which cancel agency relationships are prohibited from re-writing the agent's business on a direct basis or for purposes of re-writing in an affiliated company at a higher rate.
6. All companies are required to submit to the Department valid reasons for reducing Agent's commissions to an amount that would be less than one half the traditional commission.

Sherman A. Bernard
COMMISSIONER OF INSURANCE

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